



JANUARY 2016 FUND UPDATE by Chief Investment Officer Carlos Gil

MARKETS AND ECONOMY

The time horizon prism by which financial markets view the world is extremely myopic. Medium term is next year and the long term is two years. It is a perilous exercise to see China as slowing and not acknowledge its structural transition from an intense infrastructure driven economy to a consumption and services driven economy. In order to endure, any long term period of prosperity an economy needs long periods of sustained increases in real wages. Real wage growth emerges not from low skill labor intensive industries like manufacturing but from more competitive value added activities in the services sector and complex manufacturing. China's services sector already account for just over 50% of its GDP. In 2015 Chinese consumption accounted for over two thirds of its growth. What is fueling that consumption growth? The same causality as any other consumer led economy in the West, real wages growth. China's real wages growth (amongst the highest in the world) continues to underpin not only its economic growth prospects but also its shift to a consumer led economy. Chinese real wages are expected to grow at over 6% in 2016, that is 300% higher than the UK's (one of the few Western economies actually reporting decent real wages growth). Let us not forget that the key attribute for a sustainable consumer led economy is a growing middle class with large disposable incomes, perhaps that's why Apple, Starbucks, Nike and US American automobile manufacturers are reporting strong Chinese revenue growth.

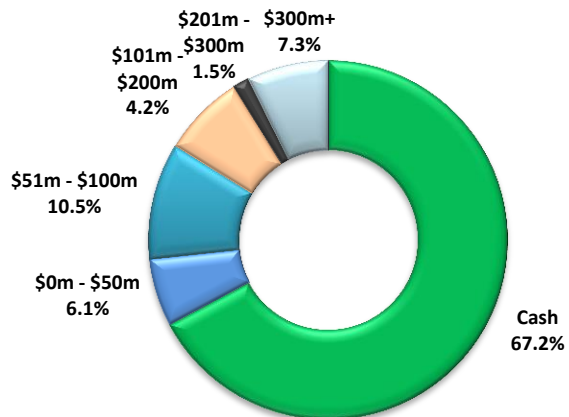
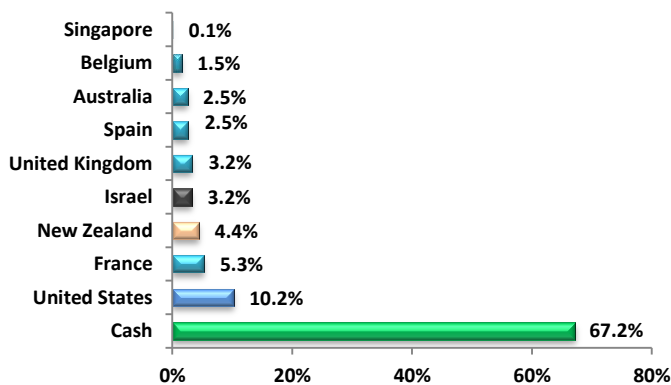
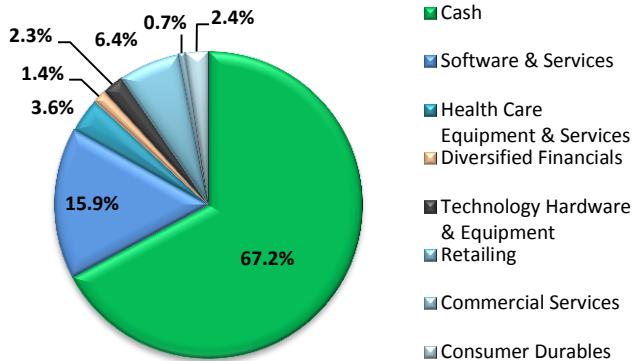
Microequities Global Value Microcap Fund returned -3.24% versus the MSCI World Microcap Index (AUD) -5.64% in January.

The Fund has increased the number of business partnerships from 17 to 23. The cash position has dropped from 70.4% to 67.6% as we continue to deploy capital. We expect to add to the number of business partnerships in the coming months and that will result in our large cash position becoming relatively modest. As our fellow investors know, we are not in the business of predicting market directions but we do appreciate falling market prices when we are buying stakes in business partnerships. The vast majority of our business partnerships will be reporting quarterly and half yearly financials next month providing us with a meaningful update on our intrinsic valuations.

[To view your current investment in the Fund login here](#)

Latest Unit Price			
\$0.9789			
Latest Fund Performance as at January 31, 2016			
	FUND	MSCI World Micro (AUD)*	OP*
1 Month	-3.24%	-5.64%	+2.40%
Inception Total	-2.11%	-6.89%	+4.78%

(Returns are calculated after all fees and expenses and reinvestment of distributions. Inception of Fund December 2015) *Benchmark: MSCI World Microcap Index (AUD). *OP: Out-performance.
Past performance is not indicative of future performance.



Microequities Asset Management Pty Ltd is a corporate authorised representative, number 462438, as appointed by Microequities Pty Ltd holder of AFSL number 287526. Application for units in the Fund is limited to investors that are Wholesale or Sophisticated investors within the meaning of Section 761G(7) and 761GA(7) of the Corporations Act 2001.